

COMPARISON OF BASE OM&A – REGULATED HYDROELECTRIC

1.0 PURPOSE

This evidence presents period-over-period comparisons of base OM&A cost for the regulated hydroelectric facilities for 2010 - 2015.

2.0 OVERVIEW

This evidence supports the approval sought for regulated hydroelectric base OM&A for the test period. Exhibit F1-2-2 Tables 1 through 8 set out the comparison of base OM&A by organizational unit over the 2010 - 2015 period. As per section 2.7.1 of the OEB Filing Guidelines, period-over-period changes under 10 per cent are not explained. The tables do not include corporate allocations, which are discussed in Exhibit F3-1-1.

Exhibit F1-2-2 Tables 1 and 2 set out the Hydro Thermal Operations (“HTO”) Central Support Group’s OM&A budgets by organizational or functional area for the historical, bridge year, and test periods. These costs are allocated to the regulated hydroelectric stations using the methodology described in Ex. F1-2-1. Table 1 shows the allocations to the Niagara Plant Group and R.H. Saunders, and Table 2 shows the allocations to the newly regulated stations.

Exhibit F1-2-2 Table 3 identifies the hydroelectric base OM&A costs for the Niagara Plant Group for the historical, bridge year, and test periods. It includes the portion of HTO Central Support Group OM&A expenses allocated to the Niagara Plant Group for the same period.

Exhibit F1-2-2 Table 4 sets out the hydroelectric base OM&A costs for R.H. Saunders for the historical, bridge year, and test periods. It includes a base OM&A allocation from the Ottawa - St. Lawrence Plant Group (“OSPG”) support organizations and from the HTO Central Support Groups as per the methodology described in Ex. F1-2-1.

Exhibit F1-2-2 Table 5 sets out the Hydroelectric base OM&A costs for balance of the Ottawa-St.Lawrence Plant Group (“OSPG”) facilities for the historical, bridge year, and test

periods. These facilities are included with newly regulated hydroelectric. The costs include a base OM&A allocation from the OSPG support organizations and from the HTO Central Support Groups as per the methodology described in Ex. F1-2-1.

Exhibit F1-2-2 Tables 6 through 8 identify the HTO base OM&A costs for the balance of newly regulated hydroelectric stations for the historical, bridge year, and test periods. These facilities are managed by the Central Hydro, Northeast, and Northwest Plant Groups. In addition to an allocation of HTO Central Support Group costs, the base OM&A costs include an allocation of plant group costs between the newly regulated and the OPA contracted facilities as per the methodology described in Ex. F1-2-1.

3.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD

2015 Plan versus 2014 Plan

HTO Central Support Groups

Cost changes from 2014 to 2015 for allocations from the Hydro Thermal Operations (“HTO”) Central Support Groups are under 10 per cent.

Niagara Plant Group

The decrease of \$6.2M at the Niagara Plant Group from 2014 to 2015 is mainly attributed to the decrease of \$5.8M in administration costs. The 53 per cent reduction in administration spending is due to the divestiture of the Merritville Road bridge planned in 2014. Costs for operations increased by \$0.8M or 11 per cent due to the cost sharing under the NYPA Joint Works program for the replacement of an ice breaker used to support operations around the International Control Dam. Cost changes in Niagara Plant Group maintenance are less than 10 per cent.

R.H. Saunders Generating Station

Cost changes from 2014 to 2015 for R.H. Saunders operating, maintenance and administration, and allocations from the OSPG support organizations are under 10 per cent.

Ottawa-St.Lawrence Plant Group (excluding R.H. Saunders GS)

1 Cost changes from 2014 to 2015 for the Ottawa St. Lawrence Plant Group (excluding
2 Saunders GS), maintenance and administration, and allocations from the OSPG support
3 organizations are under 10 per cent.

4
5 Central Hydro Plant Group

6 Cost changes from 2014 to 2015 in the Central Hydro Plant Group operating, maintenance,
7 and administration costs are less than 10 per cent.

8
9 Northeast Plant Group

10 Cost changes from 2014 to 2015 in the Northeast Plant Group operations, maintenance, and
11 administration costs are less than 10 per cent.

12
13 Northwest Plant Group

14 Cost changes from 2014 to 2015 in the Northwest Plant Group operations, maintenance, and
15 administration costs are less than 10 per cent.

16
17 **2014 Plan versus. 2013 Budget**

18 HTO Central Support Groups

19 Cost changes from 2013 to 2014 for allocations from the HTO Central Support Groups are
20 under 10 per cent.

21
22 Niagara Plant Group

23 Administration costs for the Niagara Plant Group are planned to increase by \$2.4M or 27 per
24 cent from 2013 to 2014 due to the Niagara Bridge Divestiture Program which increases from
25 \$3.1M in 2013 to \$5.8M in 2014. Cost changes in Niagara Plant Group operations and
26 maintenance are less than 10 per cent.

27
28 R.H. Saunders Generating Station

29 Cost changes from 2013 to 2014 for R.H. Saunders operating, maintenance and
30 administration, and allocations from the OSPG support organizations are under 10 per cent.

31

Ottawa-St. Lawrence Plant Group (excluding R.H. Saunders GS)

Cost changes from 2013 to 2014 for the Ottawa St. Lawrence Plant Group (excluding Saunders GS), maintenance and administration, and allocations from the OSPG support organizations are under 10 per cent.

Central Hydro Plant Group

Cost changes from 2013 to 2014 in the Central Hydro Plant Group operating, maintenance, and administration costs are less than 10 per cent.

Northeast Plant Group

Administration costs for the Northeast Plant Group are planned to decrease by \$0.9M (14 per cent) from 2013 to 2014 due to an increase in the allocation of plant group support costs (e.g. Engineering) to the Lower Mattagami River OPA contracted stations, as more new Lower Mattagami units come into service in 2014. Cost changes in Northeast Plant Group operations and maintenance are less than 10 per cent.

Northwest Plant Group

Cost changes from 2013 to 2014 in the Northwest Plant Group operating, maintenance, and administration costs are less than 10 per cent.

4.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR

2013 Budget versus 2012 Actual

HTO Central Support Groups

Cost changes from 2012 to 2013 for allocations from the HTO Central Support Groups are under 10 per cent.

Niagara Plant Group

Niagara Plant Group administration costs are planned to increase by \$3.2M to \$8.7M in 2013 compared to the 2012 actual of \$5.5M. The change is due to the Niagara Bridge Divestiture Program which increases from \$0M in 2012 to \$3.1M in 2013. Operations costs will increase by \$2.1M or 40 per cent in 2013 primarily due to delays in filling operator vacancies due to

1 Business Transformation. Maintenance costs are planned to increase in 2013 by \$3.7M or
2 13 per cent due to an increase in NPG small maintenance projects executed under the base
3 OM&A budget, an increase in maintenance work instead of major project work, and an
4 increase in labour rates.

5
6 R.H. Saunders Generating Station

7 R.H. Saunders operations costs are planned to increase by \$0.4M, or 15 per cent and
8 maintenance costs are planned to increase by \$1.7M or 17 per cent from 2012 actual to
9 2013 budget, as a result of expected increases in labour rates as described above, and a
10 modest increase on \$0.3M for small base maintenance, non recurring work in 2013.
11 Administration costs associated with the St. Lawrence Power Development Visitor Centre are
12 expected to decrease by \$0.1M or 33 per cent from 2012 actual to 2013 budget. This is a
13 result of expected efficiencies and lessons learned from operating the centre since it came
14 into service. Cost changes for allocations from the OSPG support organizations are expected
15 to have an overall increase of \$0.6M or 61 per cent from 2012 actual to 2013 budget. This is
16 a result of unfilled vacancies in 2012, increased labour rates expected for 2013, and a minor
17 reallocation of the support groups as described in exhibit F1-2-1 section 3.3. The primary
18 change being HR Support Services and Business Support are now included under the Plant
19 Group Management.

20
21 Ottawa-St.Lawrence Plant Group (excluding R.H Saunders GS)

22 Ottawa St. Lawrence Plant Group maintenance costs are budgeted to increase by \$4.1M or
23 19 per cent from the 2012 actual spend. This is a result of unfilled vacancies in 2012, an
24 increase in labour rates for 2013, and an increase in base OM&A funding for small
25 maintenance, non recurring work in 2013. OSPG support organizations are expected to have
26 an overall increase of \$0.5M or 11 per cent from 2012 actual to 2013 budget. This is a result
27 of unfilled vacancies in 2012, increased labour rates expected for 2013, and a minor
28 reallocation of the support groups as described in exhibit F1-2-1 section 3.3. The primary
29 organizational change is that Human Resources Support Services and Business Support are
30 now included under Plant Group Management.

Central Hydro Plant Group

Central Hydro Plant Group operations costs are planned to increase in 2013 by \$0.5M (25 per cent due to an unfilled vacancy in 2012, in addition to increases in labour rates. Maintenance costs are set to increase by \$2.6M (21 per cent) due to filling of vacancies from 2012, an increased maintenance work program, and labour rate increases. Administration cost changes are less than 10 per cent.

Northeast Plant Group

Northeast Plant Group operations costs are planned to increase by \$0.4M (22 per cent) in 2013 compared to 2012 actual, due to increases in labour rates. Administration costs are expected to increase by \$1.8M (38 per cent) in 2013 due to increases in labour rates, the filling of vacant positions, and an increase in the allocation of common support costs. Cost changes for maintenance are less than 10 per cent.

Northwest Plant Group

Northwest Plant Group administration costs are planned to decrease by \$2.4M in 2013 as compared to 2012 due to a \$3.0M addition to a First Nation provision in 2012. Operations costs are expected to increase by \$0.8M or 29 per cent in 2013 primarily due to filling of vacancies and increases in labour rates. Cost changes in maintenance are less than 10 per cent.

5.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD

2012 Actual versus 2012 Board Approved

HTO Central Support Groups

The 2012 HTO Central Support Groups allocated cost variances are more than 10 per cent under both the plan presented in EB-2010-0008 for the Niagara Plant Group and Saunders GS, or the budget for the newly regulated stations. This is mainly due to the Business Transformation reorganization in 2012. As described in Exhibits A1-4-2 and A4-1-1, a number of central support groups (e.g. Environment, Supply Chain, Water Resources and First Nations and Metis Relations) were centralized under corporate groups during 2012.

1 Niagara Plant Group

2 The 2012 actual costs for Niagara Plant Group were \$0.2M under the plan presented in EB-
3 2010-0008. Niagara Plant Groups administration costs increased by \$1.0M of which \$0.7M
4 is an increase to security surveillance at the Plant Group. Operations costs decreased by
5 \$2.0M due to operator vacancies at the Niagara Plant Group control centre. The cost
6 changes for maintenance were less than 10 per cent.

7
8 R.H. Saunders Generating Station

9 The 2012 actual costs, including Plant Group Common Costs for Saunders GS, were \$13.5M
10 or \$0.3M less than the \$13.8M plan for 2012 presented in EB-2010-0008. The 2012
11 variances for operations and maintenance were less than 10 per cent. Administration costs,
12 associated with the St. Lawrence Power Development Visitor Centre, were \$0.3M versus the
13 \$0 in the 2012 plan submitted in EB-2010-0008. Allocated Plant Group Common Actual
14 Costs in 2012 were \$1.0M or 19 per cent less than the plan of \$1.2M submitted in the EB-
15 2010-0008. The variance was mainly due to vacancies in the Asset Management &
16 Technical Services department in 2012.

17
18 Ottawa-St.Lawrence Plant Group (excluding R.H. Saunders GS)

19 The 2012 actual versus. budget cost variances for the Ottawa St. Lawrence Plant Group
20 (excluding Saunders GS), maintenance and administration, and allocations from the OSPG
21 support organizations were under 10 per cent.

22
23 Central Hydro Plant Group

24 Operations costs in 2012 for Central Hydro Plant Group were \$0.2M (11 per cent) under
25 budget due to an operator vacancy and lower overtime use. Administration costs were \$1.2M
26 (20 per cent) under budget largely due to unfilled vacancies, transfer of People and Culture,
27 and Controllershship staff to corporate budgets as part of Business Transformation, as well as,
28 underspending on purchased services due to deferred work. The maintenance cost variance
29 was less than 10 per cent.

30
31 Northeast Plant Group

Operations costs in 2012 were under budget by \$0.2M (11 per cent) due to lower overtime and lower payroll burden costs. Administration costs were \$0.8M (14 per cent) under budget in 2012 due to delays in filling vacancies due to Business Transformation. The maintenance cost variance was less than 10 per cent.

Northwest Plant Group

The 2012 actual costs for Northwest Plant Group are \$2.7M over plan. Administration costs were over budget by \$2.7M due to the addition of \$3.0M for a First Nations provision in 2012. Operations costs were lower in 2012 due to delays in filling vacancies due to Business Transformation. The maintenance cost variance was less than 10 per cent.

2012 Actual versus 2011 Actual

Hydroelectric Central Support Groups

Allocations from the HTO/Hydroelectric Central Support Groups decreased by more than 10 per cent for both the Niagara Plant Group and Saunders GS, and the newly regulated stations. This was mainly due to the Business Transformation reorganization in 2012. As described in Exhibits A1-4-2 and A4-1-1, a number of central support groups (e.g. Environment, Supply Chain, Water Resources, and First Nations and Metis Relations) were centralized under corporate groups during 2012.

Niagara Plant Group

Administration costs for the Niagara Plant Group increased by \$15.8M from 2011 to 2012 due to an extraordinary credit of \$19M in 2011 related to the reversal of the provision for the environmental cleanup of Lake Gibson, offset somewhat by a \$3.5M decrease in the Niagara Bridge Divestiture Program. The cost changes in Niagara Plant Group maintenance and operations are less than 10 per cent.

R.H. Saunders Generating Station

Operating and maintenance cost changes from 2011 to 2012 for R.H. Saunders were under 10 per cent. Administration costs associated with the St. Lawrence Power Development Visitor Centre were \$0.3M in 2012 as compared to \$0M in the 2011 actuals. The Visitor

1 Centre was in operation in 2011, however operating costs were relatively minor as the facility
2 ramped its presence in the community. The first full year of operation was 2012. As well,
3 allocations from the OSPG support organizations were \$0.2M or 14 per cent less in 2012
4 versus 2011. This was primarily a result of unfilled vacancies in the Asset Management &
5 Technical Services department in 2012.

6
7 Ottawa-St.Lawrence Plant Group (excluding R.H. Saunders GS)

8 Cost changes from 2011 to 2012 for operations and maintenance the Ottawa St. Lawrence
9 Plant Group operations and maintenance were under 10 per cent. Allocations from the
10 OSPG support organizations were \$0.5M or 10 per cent less in 2012 versus 2011. This was
11 primarily a result of unfilled vacancies in the Asset Management & Technical Services
12 department in 2012.

13
14 Central Hydro Plant Group

15 Administration costs decreased by \$0.4M (16 per cent) from 2011 to 2012 for Central Hydro
16 Plant Group due to the transfer of People and Culture, and Controllership staff to corporate
17 budgets as part of Business Transformation. Operations and Maintenance cost changes
18 were less than 10 per cent year over year.

19
20 Northeast Plant Group

21 Maintenance costs for the Northeast Plant Group increased by \$1.7M (14 per cent) from
22 2011 to 2012 due to higher than planned removal costs related to the Matabitchuan
23 Penstock Replacement capital project (removal costs are charged to base OM&A). Cost
24 changes for operations and administration were less than 10 per cent.

25
26 Northwest Plant Group

27 Administrative costs for the Northwest Plant Group decreased by \$0.9M due to the First
28 Nation provision changes of \$4.0M in 2011 compared to \$3.0M in 2012. Operations and
29 maintenance cost changes were less than 10 per cent.

30

2011 Actual versus 2011 Board Approved

Hydroelectric Central Support Groups

For the Hydroelectric Central Support Group costs, allocations for Niagara Plant Group and Saunders GS in 2011 were \$2.7M or 31 per cent above the Board approved plan in EB-2010-0008. This was mainly due to unplanned directly allocated costs related to concept studies of the rehabilitation of the Sir Adam Beck Pump GS reservoir performed in the former Hydroelectric Development Division. In contrast, allocations to the newly regulated stations in 2011 were \$1.6M or 11 per cent lower than OPG's budget. This variance was due the combination of lower than planned spending in the support groups due staff vacancies, and lower percentages being allocated due lower than planned spending in the newly regulated plant groups.

Niagara Plant Group

The Niagara Plant Group Administration spending in 2011 was \$21.7M under budget mostly due to an extraordinary credit of \$19M related to the reversal of the provision for the environmental cleanup of Lake Gibson. In addition, the Niagara Bridge Divestiture Program accounted for a \$3.4M variance as the Niagara Falls Road Bridge was divested. The \$2.1M or 28 per cent under variance in operations costs is due staff vacancies and the realignment of the Niagara Plant Group budget described below. Maintenance cost variances were under 10 per cent.

R.H. Saunders Generating Station

OM&A cost variances, actual versus budget for 2011, for R.H. Saunders operations and allocated OSPG common support costs were under 10 per cent for 2011 actual vs. board approved plan. Maintenance costs were \$1.1M or 11 per cent higher than plan due to an accounting reclassification of removal costs from depreciation expense to OM&A (see Ex. F4-1-1, section 3.1).

Ottawa-St. Lawrence Plant Group (excluding R.H. Saunders GS)

OM&A cost variances, actual versus budget for 2011, for the Ottawa St. Lawrence Plant Group, including allocated OSPG common support costs, were under 10 per cent.

Central Hydro Plant Group

Operations costs were \$0.3M (13 per cent) over budget in 2011 due to an increased volume of field operations for North Bay, Coniston, and Campbellford stations, as well as the purchase and installation of new revenue metering systems at Gravenhurst stations. Administration costs were under budget by \$0.8M (14 per cent) largely due to vacancies and underspending on purchased services due to deferred work. The maintenance cost variance for 2011 was under 10 per cent.

Northeast Plant Group

The Northeast Plant Group operations spending in 2011 was \$0.2M (11 per cent) under budget due to fewer than planned overtime hours worked. Maintenance and administration variances are less than 10 per cent.

Northwest Plant Group

Northwest Plant Group administrative spending in 2011 was \$3.4M over budget mostly due to the addition of a \$5.0M First Nation provision, offset by \$1.0M credit related to another First Nation provision based on the final settlement. The \$0.4M or 14 per cent variance in operations costs was due to unfilled vacancies and lower overtime than planned. Maintenance cost variances were under 10 per cent.

2011 Actual versus 2010 Actual

Hydroelectric Central Support Groups

For the Hydroelectric Central Support Group costs, allocations to the Niagara Plant Group and Saunders GS in 2011 were \$2.8M or 32 per cent higher than 2010 due to unplanned, directly allocated costs related to concept studies of the rehabilitation of the Sir Adam Beck Pump GS reservoir. For the newly regulated stations, the change in Hydroelectric Central Support Groups allocations were under 10 per cent

Niagara Plant Group

Niagara Plant Group administration costs decreased by \$16.1M in 2011 from the 2010 actual of \$5.8M. The change is due to the extraordinary credit of \$19M related to the reversal of the provision for the environmental cleanup of Lake Gibson, offset by the Niagara Bridge Divestiture Program which increased from \$0M in 2010 to \$3.5M in 2011. The increase in 2011 Maintenance costs is due to several factors, including: removal costs for capital projects being charged to OM&A starting in 2011, the NYPA Joint Works program costs increased in 2011, along with other maintenance activities. The decrease in operations costs of \$0.7M or 13 per cent is due to a lower than planned staffing levels..

R.H. Saunders Generating Station

Cost changes from 2010 to 2011 for R.H. Saunders operations and allocations from the OSPG support organizations were under 10 per cent. However, maintenance costs were higher by \$1.1M or 11 per cent in 2011 versus 2010 due to an accounting reclassification of removal costs from depreciation expense to OM&A (see Ex. F4-1-1, section 3.1). The 2011 removal costs were associated with the Protections and Controls capital project.

Ottawa-St. Lawrence Plant Group (excluding R.H. Saunders GS)

Maintenance costs for the Ottawa-St. Lawrence Plant Group, were \$3.2M or 18 per cent higher in 2011 versus 2010. The primary driver is removal costs charged to OM&A starting in 2011. Also in 2011, maintenance resources were pre-hired in anticipation of upcoming retirements. Operating costs were \$0.3M or 10 per cent higher in 2011 due to the operations at Chenaux GS control centre. The timing associated with filling operator vacancies resulted in fewer labour hours charged in 2010 than 2011. In addition, labour costs were higher in 2011 due to higher labour rates and increased overtime at the Chenaux control centre. Allocations from the OSPG support organizations are \$0.8M or 17 per cent higher in 2011 versus 2010. This was due to Asset Management and Technical Services hiring staff in 2011 for compliance management and programming. As well, there were lower Hydro Quebec recoveries in 2011 than 2010.

1 Central Hydro Plant Group

2 Operations costs increased by \$0.6M (37 per cent) in 2011 over the 2010 actuals due to the
3 addition of one operator, increases to labour rates and burdens, and addition field work
4 performed. Administration costs increased by \$1.7M (47 per cent) due to the hiring of
5 additional staff, which were only partially included in 2010 actuals, and increased labour
6 rates and burdens. Maintenance cost changes were under 10 per cent.

7
8 Northeast Plant Group

9 Northeast Plant Group maintenance costs increased by \$1.3M in 2011 (13 per cent) due to
10 an increase in maintenance work on stations and capital project removal costs being charged
11 to base OM&A starting in 2011. Administration costs increased by \$0.6M (14 per cent) due
12 to the hiring of additional staff (e.g. Engineers, Project Officers, etc.) to support maintenance
13 and project activities at the stations. The operations cost changes were less than 10 per
14 cent.

15
16 Northwest Plant Group

17 Northwest Plant Group administration costs decreased by \$6.9M due to the First Nation
18 provision changes in 2011 of \$4.0M compared to 2010 of \$11.3M. The increase in 2011
19 maintenance costs is due to capital project removal costs being charged to OM&A starting in
20 2011, a dam safety periodic review moved from 2010 to 2011, along with an increase in
21 maintenance staff and activities in 2011. Operations cost changes were less than 10 per
22 cent.

23
24 **2010 Actual versus 2010 Budget**

25 Hydroelectric Central Support Groups

26 For the Hydroelectric Central Support Groups OM&A costs allocated to the Niagara Plant
27 Group and Saunders GS, the actual versus budget variances were under 10 per cent for
28 2010. For the newly regulated stations, the support groups' allocation were \$1.7M or 12 per
29 cent less than budget. The lower than planned spending in the central support groups was
30 due to unfilled vacancies in 2010.

1 Niagara Plant Group

2 Niagara Plant Group operations costs in 2010 were \$0.9M less than budget due to lower
3 than planned staffing levels and reduced spending in the NYPA Joint Works program.
4 Maintenance and administration cost variances were under 10 per cent.

5
6 R.H. Saunders Generating Station

7 OM&A cost variances, actual versus budget, for R.H. Saunders, including allocated OSPG
8 common support costs, were under 10 per cent for 2010.

9
10 Ottawa-St.Lawrence Plant Group (excluding R.H. Saunders GS)

11 Ottawa St Lawrence Plant Group operations and maintenance cost variances, 2010 actuals
12 versus the 2010 budget, were less than 10 per cent. However, OSPG support groups
13 allocations were 0.4M or 11 per cent less in 2010 than budgeted. This was a result of timing
14 with vacancies being filled in the Asset Management and Technical Services department.

15
16 Central Hydro Plant Group

17 Administration costs in 2010 were \$1.9M (35 per cent) under budget due to vacant positions,
18 unused purchases services budgets as a result of deferred work, and materials costs
19 budgeted into administration but charged into maintenance. Operations and Maintenance
20 cost variance were both under 10 per cent.

21
22 Northeast Plant Group

23 Northeast Plant Group operations costs in 2010 were \$0.2M (13 per cent) and Administration
24 costs were \$0.6M (12 per cent) under budget due to lower than planned labour rates and
25 payroll burden costs. The maintenance variance for 2010 was less than 10 per cent.

26
27 Northwest Plant Group

28 Northwest Plant Group administrative spending in 2010 was \$10.9M over budget due to a
29 \$11.3M First Nation provision. Operations and maintenance variances were under 10 per
30 cent.